

RE92C16-
NATIONAL ECONOMIC COMMERCIAL TRENDS AND THE COMMERCIAL REAL ESTATE PROFESSIONAL

I. Importance of National Economic Trends for the Commercial Real Estate Professional

- A. National Economic Trends (i.e. interest rates, SBA financing, price appreciation, commercial property affordability, etc.).
 - 1. Business's ability to purchase or lease a commercial property
 - 2. Real Estate Professional's ability to address a business owner's operational needs.
 - 3. How the investor and capital market plays a role in supplying space, liquidity and capital?

II. Trends in commercial prices

- A. Identifying key components for real estate appraiser, lenders and capital market valuation
- B. National commercial and business trends impacting the supply and demand
 - 1. Liquidity from the private lending sector and SBA availability
 - 2. Resulting prices that businesses can afford to for purchase or to lease
- C. The trends with the Federal Reserve
 - 1. Treasury Rates, liquidity, benchmarking for investors, capitalization rates, holding periods, rate of returns, cash on cash returns, internal rate of returns and overall yields

III. State and Municipal economic development plans that are helping businesses

- A. Examples of job creation that are directly influenced by national real estate trends and the general economy.

IV. Transitions from Prosperity to Recession and from Recession to recovery

- A. These cycles are not symmetrical

V. Discussion on various business cycle models and monetary policy

- A. Keynesian Theory
- B. Economic Behavior Trends
- C. Different Factors as keys toward recession or toward recovery
- D. Example: quantity theory of money which matches the money supply and its circulation against the price and quantity of products and services

VI. Economic Factors that Can Expose Trends

- A. Examples of factors that are leading indicators
- B. Examples of factors that are lagging indicators
- C. Examples of other factors that are concurrent indicators in changes toward recession and toward recovery

VII. Commercial Real Estate and the Economy

- A. Understanding the role of jobs and the growth of the housing market in Massachusetts
 1. Jobs to support commercial businesses.
 2. Consumer trends with jobs, the economy, housing affordability critical to businesses, business employment, commercial real estate affordability, the creation of inventory supply and demand constraints
 3. The capital market's contribution to the national economy, housing market and multi-family
- B. Housing affordability in Massachusetts and its impact on job wages
 1. Impact of national and Massachusetts economy
 2. Impact of mortgage rates on the economy, SBA financing opportunities and commercial loans.
 3. Volatile, stable and/or declining rates positively impacting commercial and residential property values
 4. New and existing commercial sales indicative of a strong or weak market
 5. How does the home value increase affect job placements in Massachusetts and office service jobs?
 6. Trends with office consolidation, lower office density factors and recent college grads entering the Massachusetts job market
- C. Increasing or decreasing commercial ownership or leasing market level trends|
- D. Factors affecting the international, national, regional commercial real estate rate:
 1. Mortgage interest rates and business loans
 2. Unemployment rate
 3. Job Growth
 4. Home and commercial price and rental rate appreciation
 5. Liquidity
 6. Consumer confidence and consumption
 7. Alternative investment options and vehicles
 8. International events

VIII. Business Demographics (See State of Nation's Housing and Bureau of Labor Statistics)

- A. Household growth and their ability to find jobs in the Massachusetts market that support commercial businesses
 1. Overview of the national, regional and Massachusetts commercial market and multi-family market.
- B. The demographic trend outlook for the next decade and the impact on retail, office and multi-family markets.
 1. The financial strength of the consumer for consumption; household debt, unemployment statistics, etc.

IX. Conclusion

- A. Key factors that impact the housing, commercial real estate and capital markets role in the economy
- B. Factors driving commercial real estate and the investment market price
 - 1. Interest rates, liquidity, use of capital and financing opportunities and the Federal Reserve and the central banking system
 - 2. Consumer and business consumption, business growth, international business and the national economy
 - 3. New job creation or lack of job creation; impact of “off” and “on-shoring” jobs
 - 4. Existing commercial sales and plans for new construction; what sectors and what are the trends?
 - 5. Identifying any sectors of job growth and drivers?
- C. Business Economic Factors
 - 1. Capacity Utilization
 - 2. Productivity Utilization
 - 3. Business inventory changes

Recommended Materials:

- Bureau of Labor Statistics
- Federal Reserve Beige Report
- Federal Reserve of St. Louis, Boston and other relevant Boards
- Massachusetts Economic Development
- Business Cycles by Wesley Clair Mitchell